

City of San José

THREE YEAR GENERAL FUND STRUCTURAL DEFICIT ELIMINATION PLAN STAKEHOLDER GROUP

August 4, 2008



Controlling the Largest Component of General Fund Cost Increases-

Personnel Expenditures



City Employees

- 6992 full time employees
- Approximately 95% are represented by the City's 10 unions

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3



Applicable Regulations

- City Charter
- Civil Service Rights
 - Civil Service protections exist outside of being represented by a union
 - “Property Interest” in their job
- Meyers-Milias-Brown Act (MMBA)
 - Public Employment Relations Board (PERB)
- Employer-Employee Relations Resolution #39367

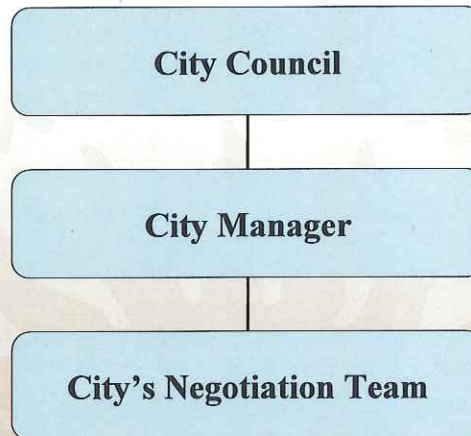
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4



Labor Negotiations



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5



Obligation to Negotiate

- Obligation to negotiate/meet and confer on wages, benefits and other working conditions
- Negotiation Process
- Reaching Impasse
 - Follow impasse procedures, including mediation
 - City may implement
 - Bargaining units may engage in protected activities, such as strikes
- Binding Interest Arbitration for Police and Fire

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6



Payroll Costs

City-Wide Salary and Benefits

	2007-2008 Total	% of Base Payroll
BASE PAYROLL (includes special/premium pays for all employees)	\$575,648,545	
RETIREMENT BENEFITS	\$134,758,722	
HEALTH BENEFITS	\$63,488,598	
OTHER BENEFITS	\$12,195,339	
TOTAL (ALL BENEFITS)	\$210,442,659	36.56%
GRAND TOTAL	\$786,091,204	

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7

Payroll Cost Growth Comparison

City-Wide Salary and Benefits

	2000-2001	Total 2007-2008	% Increase
BASE PAYROLL (includes special/premium pays for all employees)	\$416,010,420	\$575,648,545	38.37%
RETIREMENT BENEFITS	\$63,054,083	\$134,758,722	
HEALTH/DENTAL BENEFITS	\$30,317,792	\$63,488,598	
OTHER BENEFITS	\$6,608,312	\$12,195,339	
TOTAL (ALL BENEFITS)	\$99,980,187	\$210,442,659	110.48%
GRAND TOTAL	\$515,990,607	\$786,091,204	52.35%
TOTAL Full Time Employees	7,012.51	6,992.11	
Average Total Cost Per Full Time Employee	\$73,581	\$112,425	52.79%

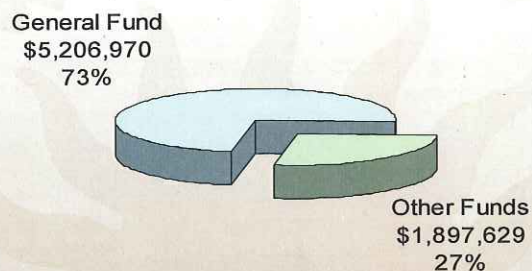
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8

1% Increase

The City's cost of providing a 1% raise to all City employees is approximately \$7,104,599



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9



Labor Negotiations Cycle

Employee Unit	Contract Expiration	Full Time Employees
San Jose Police Officers' Association (POA)	06/30/08	1368
Confidential Employees' Organization (CEO)	09/20/08	217
International Union of Operating Engineers (OE#3)	04/17/09	850
Association of Maintenance Supervisory Personnel (AMSP)	06/27/09	100
Association of Engineers and Architects (AEA)	06/30/09	276
International Association of Firefighters (IAFF)	06/30/09	753
Association of Building, Mechanical and Electrical Inspectors (ABMEI)	10/10/09	95
International Brotherhood of Electrical Workers (IBEW)	03/06/10	86
City Association of Management Personnel (CAMP)	06/30/10	417
Municipal Employees' Federation (MEF)	06/30/11	2509
Total Represented Employees		6671

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10



Controlling the Largest Component of General Fund Cost Increases- Personnel Expenditures Questions and Discussion

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11



Follow-up Information Change Prevailing Wage Applications: Eliminate Service Contracts



Prevailing Wage Follow-Up Information

- Examples of Prevailing and Living Wage levels
- Options for Consideration:
 - A. Eliminate City-initiated policy of applying Prevailing Wage to service contracts
 - B. Clarify job classes subject to Prevailing Wage versus Living Wage
- Advantages and Concerns

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13



Specific Examples

- Living Wage is currently \$12.83 (medical benefits provided) and \$14.08 (without medical benefits)
- Prevailing Wage varies by Job Classification:

Classification	Prevailing Wage	
	Hourly Pay Rate	Hourly Cost (including benefits value)
Food & Beverage Services		
Bartender	\$11.48	\$14.53
Cook	\$13.45	\$16.59
First Cook	\$14.19	\$17.36
Pastry Chef	\$14.83	\$18.03
Parking Lot Services		
Parking Cashier	\$11.28	\$15.42
Parking Lead Person	\$16.48	\$20.94

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14



Options for Consideration

Option A. Eliminate current Prevailing Wage requirement on services where there is no established prevailing wage rate, such as:

- food & beverage, parking lot management, janitorial, shuttle bus, recreational programming

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15



Options for Consideration

Option B. Clarify which job categories are subject to Prevailing Wage versus Living Wage, such as:

- Prevailing Wage: automotive repair, building maintenance, landscaping, street sweeping, sign installation, equipment maintenance, pest control
- Living Wage: carpet cleaning, courier, printing, retail operations, revenue processing, Transit Mall maintenance, window cleaning

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16



Considerations

- Option A:
 - Estimated annual savings of \$1.2 million
 - Reduces administrative burden on City and contractors
 - May raise concerns “moving” from Prevailing Wage to Living Wage, especially higher classifications
- Option B:
 - Relatively small fiscal impact
 - Easier for staff and contractors to interpret
 - Streamlined, easier for staff to administer

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17



Change Prevailing Wage Applications: Eliminate Service Contracts

Option A: Eliminate current Prevailing
Wage requirement on services where
there is no established prevailing
wage rate

Stakeholder Discussion of Advantages & Concerns

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18



Change Prevailing Wage Applications: Eliminate Service Contracts

**Option B: Clarify which job categories
are subject to Prevailing Wage
versus Living Wage**

Stakeholder Discussion of Advantages & Concerns

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19



Ballot Measures for Council consideration and placement on the November 4, 2008 Ballot



Overview of Proposed Ballot Measures

1. Reduction of Tax Rate and Updating of Telecommunications Users Tax
2. Reduction and Replacement of 9-1-1 Fee
3. The San José Vital City Services Preservation Measure
4. Long Term Agreements in Certain City Parks
5. Council Compensation

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21



1. Reduction of Tax Rate and Updating of Telecommunications Users Tax

- Reduce the City's tax on telecommunications users from 5% to 4.75%
- Update the ordinance to reflect technological advances
- Tax equally regardless of technology used

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22



1. Reduction of Tax Rate and Updating of Telecommunications Users Tax

Fiscal Impact

- Reducing the tax rate from 5% to 4.75% (5% decrease) would result in a \$1.3 million revenue loss to the General Fund.
- It is anticipated that this loss in revenue would be offset by increases associated with broadening the base of the tax.

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23



2. Reduction and Replacement of the 9-1-1 Fee

Eliminate the existing ECSS fee of \$1.75 per single line and \$13.13 on trunk lines and replace with:

- Reduced tax of \$1.65 per single line and \$12.38 on trunk lines (5.7% decrease)
- Annual inflation adjustments limited to 3%

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24



2. Reduction and Replacement of the 9-1-1 Fee

Fiscal Impact

- Existing ECSS fee will sunset on June 30, 2009, resulting in a \$24 million revenue loss to the General Fund
- Union City, CA Appellate Court case on the horizon
- Reduction of the 9-1-1 fee would result in a \$1.4 million dollar loss to the General Fund

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25



3. San José Vital City Services Preservation Measure

**Increase the existing business tax on card
room revenues from 13% to 18%.**

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26



3. San José Vital City Services Preservation Measure

Fiscal Impact

- Five percent increase in the tax rate is expected to generate \$4.5 million (\$900,000 per one-percent increase)

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27



4. Long Term Agreements in Certain City Parks

- Amend the City Charter to permit the Council, without voter approval, to enter into agreements of up to 30 years.
- Currently, the Council is permitted to enter into agreements for 3 years at a time at most parks.
- Impacts parks over 5 acres.
- Agreements must enhance the recreational purposes of the park.

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28



4. Long Term Agreements in Certain City Parks

Fiscal Impact

- Unknown. However, purpose of this measure is to increase financial support for capital improvements in City parks.
- City may also be able to enhance recreational programming offered at City parks.

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29



5. Council Compensation

Amend the City Charter to set Mayor and City Council salaries at 80% and 60%, respectively, of the salary established for a California Superior Court Judge.

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30



5. Council Compensation

Fiscal Impact

- Compensation for the Mayor would increase from \$127,000 to \$143,031.
- Compensation for Councilmembers would increase from \$90,000 annually to \$107,273.
- Corresponding increases in the cost of benefits.

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31



Staff Recommendation

Based on polling results, staff recommends that Council adopt resolutions to place the following measures on the ballot, using modified language shown on the following slides:

1. Reduction of Tax Rate and Updating of Telecommunications Users Tax
2. Reduction and Replacement of 9-1-1 Fee
3. The San José Vital City Services Preservation Measure"
4. Long Term Agreements in Certain City Parks

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32



Discussion and Questions

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33

